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ABSTRACT

This document outlines how the government of the United Kingdom intends to achieve and sustain full employment and social justice across the country. Chapter 1 discusses the United Kingdom's economic, educational, and social problems and details plans to solve them through a policy based on the following principles: (1) building an economy with stability and steady growth; (2) making work pay by reforming the tax and benefit system; (3) making work possible by providing new support and new opportunities for people to move from welfare to work; (4) promoting diversity; (5) modernizing the delivery of welfare; and (6) reversing the underinvestment in education and training. Chapter 2 describes the next steps in achieving full employment across the United Kingdom and addressing specific challenges in Scotland, Wales, and Northern Ireland. Chapter 3 focuses on radical extension of active labor market policies to cover individuals receiving welfare benefits, improvement and extension of the United Kingdom's New Deals, and development of the Working Age Agency to step up efforts to help people into work. Chapter 4 explains why future economic success depends on investing in education and training and outlines the United Kingdom's new employer-focused strategy for improving workers' skills. The World Wide Web addresses of eight pertinent public agencies are listed. (MN)

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Towards full employment

in a modern society

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Towards full employment in a modern society

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This paper sets out the Government's plans for full employment with social justice across the United Kingdom. The devolved administrations in Scotland, Wales and Northern Ireland also have a key contribution to make to this, for example in such areas as training, basic skills and child care. In England, policy initiatives in these devolved areas will be delivered by the Department for Education and Employment. The Scottish, Welsh and Northern Irish administrations are committed to support the drive for full employment and to delivering a similar range of initiatives for the functions they are responsible for in their geographic areas.

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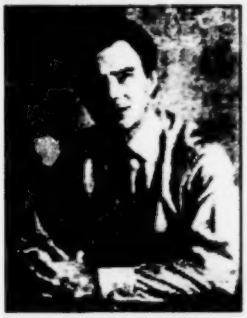
Foreword



Employment opportunities for all are in our grasp. Our goal is clear: to create and then sustain employment opportunities for all over the next decade – in every part of the country. This Green Paper sets out how we will build on what we have already achieved, to deliver employment opportunities for all.

For too long, the demands of a competitive economy were seen by many as at odds with the needs of social justice. Today we can show that enterprise and fairness go hand in hand, and that our prosperity as a nation depends on making use of the talents of all our people.

Over the past four years, we have built a stable economy with steady growth. We have started to transform the tax and benefits system, making sure that work pays. We have implemented a welfare to work programme that seeks to overcome unemployment and disadvantage, rather than to simply ameliorate it. And we have started to change the culture: a new approach of rights and responsibilities. Just as this Government is committed to creating more opportunities for people, individuals have the responsibility to take up those opportunities. We have developed radically new approaches such as Personal Adviser services and Employment Zone Personal Job Accounts which provide for the needs of citizens rather than the system.

We promised to cut the bills of economic and social failure – and we have. In fact, by achieving the lowest unemployment for 25 years, we have halved the annual cost of unemployment, saving £4 billion a year. Which in turn means that we can invest more in tackling poverty and in our public services – especially education and skills – for both future economic growth and personal fulfilment.

So we have made good progress, but we know there is more to do. Our work is not done whilst there remain groups of people and areas of the country which do not enjoy the fruits of prosperity. There are still a million unemployed people looking for work; and still a million vacancies waiting to be filled. And many more who would like to work, including lone parents,

older workers, and disabled people, who have often been written off in the past. In this Green Paper, we set out the next steps on the way to employment opportunities for all.

- First, we will continue to maintain a strong and stable economy, which is the essential foundation of everything we do.

- Second, we will continue our reforms of both the tax and benefit systems, to ensure that work always pays and to make further progress towards our ambitious goal of ending child poverty.

- Third, we will improve the New Deal programmes for the unemployed, with more flexibility and an emphasis on matching unemployed people to the needs of employers – tackling skills shortages. And we will build on the success of Personal Advisers and Employment Zones, to provide a better service, tailored to the needs of the individual, not the system.

- Fourth, we will extend more help and more choices to those who have traditionally been neglected: lone parents, people with disabilities and those suffering the greatest disadvantages in the labour market. As well as targeting extra resources on the communities that have been left behind.

- Fifth, to help achieve this we will launch the new Working Age Agency later this year. This will mark the next crucial step in our transformation of what was essentially a passive benefit payment system into an active welfare state, helping people into jobs, with a greater focus on the needs of employers.

- And sixth, we will increase investment in education and training, so that today's workers are equipped with the skills they need in a modern labour market. This will help not only individuals, but also the productivity of our economy as a whole.

Our vision is of a high skills, high productivity, high employment economy based on the principles of strong enterprise and social justice. A society where more opportunities, and more choices, are matched by a greater responsibility on the part of individuals to help themselves. By building on economic stability and reform of the welfare state, we can achieve the goal of employment opportunities for all – a prospect that we must not miss.

Tony Blair
Prime Minister

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Executive summary

1997: Inheritance

In 1997 the Government reaffirmed the aim, first set out in the 1944 Employment White Paper, of high and stable levels of growth and employment. At that time, the United Kingdom labour market was characterised by a number of severe problems, often built up over many years. Claimant unemployment was 60 per cent higher than in 1979. The number of households where no one was in work had grown to nearly 1 in 5. And child poverty had trebled over the previous two decades, to affect 1 in 3 children.

Rather than being a solution to these problems, the welfare system had become part of the problem itself. For an increasing number of people, it offered little more than a fortnightly benefit cheque: no help to find work; no help to develop the skills needed in the new economy; and no recognition that for some families work simply did not pay.

The education and training system had not kept pace with the demands of a modern economy. Too many people had left the school system without the skills necessary to compete for jobs. Too little had been done to help those affected by structural economic change.

A new approach

Since 1997 the Government has:

- built **a strong and stable economy**, as the foundation for everything we do;
- helped **make work pay**, by introducing the first National Minimum Wage and reforming the tax and benefit system;
- helped **make work possible**, through the New Deal and Employment Zones, by providing opportunities for people to move from welfare into work, along with practical support such as better childcare;
- promoted **diversity** so there are genuine opportunities for all, including those facing the greatest disadvantages in the labour market;
- **modernised the delivery** of welfare – piloting the ONE service, a single entry point to help with benefits and work, bringing together the Employment Service and the Benefits Agency, into a new work-focused agency; and
- invested record amounts in **education and training**, helping to raise the skills of today's and tomorrow's workers.

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The United Kingdom is already beginning to reap the rewards. Employment is at record levels. Claimant unemployment is down to its lowest level in 25 years. The Government has exceeded its target of helping 250,000 young people off welfare and into work. The National Minimum Wage and reforming the tax and benefits system have increased the take-home pay of millions of workers. Standards in education and training are improving. And in this Parliament, 1.2 million children will have been lifted out of poverty.

Next steps

A framework has been established for getting people off welfare and into work. It is a new compact between the individual and Government, based firmly on more rights, in return for greater responsibilities. And this will continue to be the basis of future reforms.

Over the next 10 years, the Government has set ambitious targets:

- a higher percentage of people in employment than ever before;
- raising the proportion of lone parents in work to 70 per cent;
- a narrowing of the productivity gap with the United States, Germany, France and Japan over the economic cycle;
- the majority of the UK's young people going on to university or further education; and
- halving child poverty, on the way to eradicating it within 20 years.

And, by 2004:

- 750,000 adults to improve their literacy and numeracy; and
- closing the gap in employment rates for ethnic minorities, disabled people and other disadvantaged groups and areas.

This agenda will build on success. It will chart the course for full employment and will improve the lives of millions of people. Providing opportunities for education, training and work is also an essential part of rebuilding communities. But the success of this strategy will depend on effective delivery.

How this will be done

The Government will build on what works: more Personal Advisers with the greater flexibility they bring, more contact to keep people in touch with the labour market, more focus on employer needs, and all within a framework of rights and responsibilities. We will continue with the work of changing the culture so people no longer expect to remain on benefit indefinitely if they are able to work. The approach will be adapted to meet new challenges including: targeting resources at those who are hardest to help, tackling skills shortages and delivering more childcare.

The Government will:

1. Broaden welfare-to-work programmes to focus more on those who are economically inactive and long-term unemployed adults, as well as improving the delivery and responsiveness of the New Deal. We will make the New Deal a permanent deal, and continually seek to improve it.

Strategy for delivery:

○ building on the success of the New Deal for young people, and extending this approach through an enhanced New Deal for 25 plus;

○ extending the package of choices available to lone parents, through the New Deal for lone parents; and

○ a national extension of the New Deal for disabled people together with modernisation of the supported employment programme, WORKSTEP.

2. Ensure that people have the skills they need in the modern labour market, and that they can update and add to these skills in response to a changing economy. Investing in skills will help break the "low pay, no pay" cycle and help people stay and progress in work.

Strategy for delivery:

○ more flexible training within New Deal;

○ investment in vocational excellence in further education; and

○ greater participation in further and higher education.

3. Put employers at the centre of the strategy. Just as delivery of the New Deal hinged on employer involvement, so improvements in skills training must be based on the needs of employers.

Strategy for delivery:

○ Learning and Skills Councils, to plan and deliver the skills employers need;

○ new Account Managers to provide a one stop service at local level for employers; and

○ Regional Employment Action Plans and the Job Transition Service to cope with the consequences of structural change.

4. Continue the drive to promote diversity, create opportunities for all, and help the hardest to help.

Strategy for delivery:

○ £40 million mentoring and training programme to help people get off drugs and into work;

○ new community outreach for New Deal teams in areas of deprivation; and

○ a commitment to pilot transitional employment programmes, building on the experiences of the Environment Task Force, for the very hardest to help.

5. Improve the service for all people of working age, who are either claiming benefit or seeking work. For the first time, we will apply the principle of employment first for all working age benefit claimants. In the past, people signed on for benefit before they looked for work. Now, as part of the normal conditions of receiving benefit, people will have to take part in interviews to discuss their options for moving back into work.

Strategy for delivery:

- the new Working Age Agency will transform delivery arrangements;
- all benefit claimants to have interviews to discuss the opportunities to work; and
- the maximum use of modern technology.

This chapter sets out the steps taken to tackle the problems of boom and bust, under-investment in education and training, and to begin transforming a passive social security system into an active welfare state that helps people into jobs. It also highlights key achievements over this Parliament including: stability and steady economic growth, claimant unemployment below a million, falling social security spending, and record achievements in education and training.

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Chapter one:
Building strong foundations

1

1997: The inheritance

1.1 Over the 1980s and early 1990s, Britain experienced high inflation rates, below average growth and mass unemployment. This macroeconomic instability – a cycle of boom and bust – was deeply damaging to the labour market. There were sharp falls in employment during the recessions. The numbers who were unemployed and on benefit peaked at around 3 million in 1986 and 1992.

1.2 While macro-economic instability damaged the labour market, a long-standing problem of low skills hampered many individuals' access to employment. Poor skills not only reduced productivity at a macro-level, but also contributed to high wage inflation co-existing with high unemployment. This had a detrimental effect not only on individuals, but also on Britain's businesses and overall economic performance.

1.3 There was a legacy of boom and bust. In some families, the experience of unemployment had reached a second or even third generation. And there were well over 2 million children growing up in households where nobody had a job. In turn, this was a major cause of the dramatic rise in child poverty – which had trebled between 1979 and 1997.

1.4 In 1997, the numbers of people unemployed and on benefit stood at 1.6 million. Moreover, levels of poverty, especially child poverty, remained very high. A number of wider changes in the economy and in society, as well as the interaction of the tax and benefit systems, contributed to this problem. In particular, there was a growing concentration of worklessness among certain individuals, households and communities.

Individuals

1.5 For individuals, worklessness had become increasingly concentrated on disadvantaged groups (such as disabled people and some ethnic minorities); and on the low skilled, against a background of falling demand for low skilled and manual workers.

1.6 This was particularly severe for older workers, who were often displaced, and then offered little or no help to return to work. By 1997, nearly 1 in 5 men aged between 50 and state retirement age were on some sort of sickness or disability benefits. At the same time, young people leaving school or college faced major problems getting established in the labour market. In 1997, the ILO unemployment rate of 18- to 24-year-olds was still over 13 per cent.

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Households

1.7 Over the last few decades there has been a substantial rise in the number of women in the labour market. But increased female employment has been predominantly in households with an employed partner. This led to a growing polarisation between "work rich" households (where everyone was in paid employment) and "work poor" households, where no one had a job. There has also been a growth in the number of single-adult households with no one in work. In 1997, almost 1 in 5 working age households had no breadwinner, compared with fewer than 1 in 10 in 1979.

1.8 These trends were reinforced by a welfare system that did not help lone parents, or the partners of unemployed people, move from welfare into work. For many people the system offered little more than a fortnightly benefit cheque. It concentrated on alleviating the consequences of social and economic change, with little attempt to address the underlying causes of poverty.

1.9 For some households the tax and benefit systems also failed to reward work adequately. By 1997, around three quarters of a million people faced the loss of over 70 pence out of every additional £1 they earned. Martin Taylor's report on work incentives, published with the 1998 Budget, highlighted the particular problem of work incentives faced by families with children. For example, in 1997 a couple with two children under 11 needed a weekly wage of £260 to be £40 a week better off in work. On top of this, the difficulties and delays involved in re-claiming benefits (for example if a short-term job ended) added to the perverse situation where dependence on benefits seemed to provide better security, although at low levels of income, than a job.

Long-term unemployment

1.10 Over time, for some people suffering long or repeated spells of unemployment, the task of getting back to work became increasingly difficult. The longer someone is detached from the labour market, the harder it is to return. In 1979, around 1 in 5 unemployed people had been out of work for more than a year. By 1997 this had doubled to nearly 2 in 5 experiencing continuous unemployment for a year or more on benefits. Even for those who did return to work, long-term unemployment could have scarring effects, increasing their risk of future unemployment and reducing their likely future earnings.

Communities

1.11 Historically there have been long-standing differences in the unemployment rates of different regions. Scotland, Wales and the North of England were particularly badly hit in the recession of the early 1980s, while the recovery of the late 1980s did not reduce regional unemployment differences, with regional unemployment rates outside the south of England remaining well above the national average.

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1.12 Within regions, too, there are wide variations in employment and unemployment rates. It has become increasingly clear that the problems of worklessness have become concentrated at neighbourhood level, often only streets away from more prosperous communities. The weak economic performance of some parts of towns and cities also exacerbated the drift of the higher skilled away from those areas, accelerating their decline and increasing pressures, especially on housing and transport, in more suburban and rural areas.

1.13 These pockets of high unemployment were located mainly in the cities and areas of industrial decline, in areas suffering from the inter-related problems of higher crime, poor housing and worse schools. Previously there was a lack of targeted support or co-ordinated efforts to bring more jobs or skills training to people in deprived communities, or improved transport to take up vacancies in nearby areas.

The costs of social and economic failure

1.14 The consequences of being out of work for many individuals and their families included not only increased poverty and insecurity, but also a greater risk of poor health, isolation and untimely death. But the whole of society also paid the price in terms of lost revenue from taxes, higher debt repayments, and higher spending on benefits – as well as the knock-on effects, for example, of increased crime.

Evidence found by the Performance and Innovation Unit in the Cabinet Office shows that unemployment increases the risk of early death by as much as a third for men and women of all ages. Unemployed people are more likely than those in work to die from cancer, heart disease, accidents and suicide.

A middle aged man who loses his job is twice as likely to die in the next five years as a man who remains employed.

Ex-offenders who leave prison without a job or accommodation are twice as likely to re-offend.

The National Crime Survey shows that hard drug use is seven times more prevalent amongst the unemployed than the employed or the inactive.

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1.15 Between 1979 and 1997, spending on social security – in real terms – rose by 4 per cent a year, a faster rate of growth than any other major area of Government expenditure, including health and education. This was largely a direct result of rising long-term unemployment and economic inactivity and the associated spending on benefits.

1.16 At the same time, lack of investment in skills and education meant that by 1997 the skills base of the workforce lagged behind many of our competitors. This under-investment in training and skills contributed to low productivity, which in turn acted as a brake on the economy.

A new approach

1.17 Since 1997, the Government has implemented a comprehensive strategy to address the problems it found. By providing employment opportunities for all, a key underlying cause of deprivation is being tackled, with help to break the inter-generational cycle of poverty. At the same time, by investing in education and raising skills, productivity will be increased so it can contribute to future economic growth. And by encouraging enterprise and developing a better understanding of the labour market, business needs can be responded to more effectively.

1.18 The rest of this chapter sets out in more detail the main elements of the strategy since 1997 which include:

- building **an economy with stability and steady growth**;
- helping to **make work pay**, by reforming the tax and benefit system;
- helping to **make work possible**, by providing new support and new opportunities for people to move from welfare into work;
- promoting **diversity**, so there are genuine opportunities for all;
- **modernising the delivery** of welfare; and
- reversing under-investment in **education and training**.

These policies complement the measures set out in the White Paper *Opportunity for all in a world of change* published in February 2001 which set the wider policy framework in which we will secure economic success in the decade ahead.

Building a strong and stable economy

1.19 The first and most important precondition of the Government's employment strategy is to build economic stability. Over this Parliament the Government has taken action to lock in stability for the long term, by putting in place new frameworks for both monetary and fiscal policy.

1.20 The Government's decision immediately on taking office in 1997 to grant independence to the Bank of England in setting interest rates, is helping

to deliver low and stable inflation. And the new fiscal regime has been accompanied by firm action to put the public finances back on a sound footing.

1.21 This stable economic framework is essential to delivering employment opportunity for all. But in turn, expanding the effective supply of labour by helping those who are economically inactive back to work as well as those traditionally defined as unemployed, will allow the economy to grow more rapidly without running into skills shortages and creating inflationary pressures.

1.22 Since 1997, the results of the new economic stability can be seen, with continued and steady growth. There has been the longest period of sustained low inflation since the 1960s. And interest rates have not been so low for so long since the early 1970s. This has been the vital backdrop to achievements in increasing employment and reducing unemployment, summarised in Chapter two.

1.23 But providing stability is not enough on its own to ensure employment opportunity for those who have been disadvantaged or written off in the labour market over the past two decades. It is only by taking deliberate steps to make sure the tax and benefit systems support work, and by providing active help for people to move from welfare to work, that the Government will ensure employment opportunity for all.

Making work pay

1.24 The second crucial step has been to ensure that work pays. Most people want to work. But historically the gap between out-of-work and in-work incomes has often been too small to provide a sufficient incentive to move off benefits and into work, especially for those with children. Some people found that they were actually better off on benefits than they would be in work (the unemployment trap), or that they gained virtually nothing from working longer hours or from higher pay (the poverty trap).

1.25 Since 1997, the Government has introduced a range of measures to make sure that people are better off in work by:

- introducing the first ever **National Minimum Wage** in the UK. As a result, an estimated 1.3 million low paid workers (two-thirds of whom are women) have seen their wages rise by over 15 per cent. And from October 2001, the adult rate will be increased from £3.70 to £4.10 an hour;

- delivering extra help to those on low and moderate earnings through the new **tax credits**. The Working Families' Tax Credit (WFTC) has already delivered an average £30 extra a week to over a million families with children. A similar tax credit for disabled people (the Disabled Person's Tax Credit [DPTC]) has benefited over 25,000 people by an average of £72 per week. Budget 2001 announced plans to provide even more help. And from April 2001, the new Children's Tax Credit will be introduced at a rate of £10 a week, a tax cut of up to £520 a year for around 5 million families; and

○ **targeted tax cuts** to promote work. The reform of National Insurance contributions has taken an estimated 1 million low-paid workers out of the system whilst protecting their entitlement to benefits. And the new 10p starting rate in income tax, extended again in Budget 2001 had been of particular benefit to those on low incomes.

1.26 These reforms have helped ensure that work pays more than welfare: the advantages of working have increased while security for those who cannot work has been protected or improved. As a result of these and other changes, the number facing marginal tax rates of over 70 per cent has fallen by nearly 500,000.

1.27 In addition to making sure that people are better off once they are in work, the Government also recognises that the transition back into work can be costly and difficult for many. Starting a new job may involve extra costs for clothing, transport and so on. And there is often a need for money to tide people over until they get their first pay packet.

1.28 That is why the Government is introducing additional help, targeted at the crucial first weeks in work. From April this year, a new Job Grant of £100 will be available to support long-term unemployed people in making the move from benefit into work. Lone parents will remain on the more generous Income Support run-on and new help will also be provided with upfront childcare costs. This is alongside improvements to the existing system for paying Housing Benefit for the first four weeks of a new job.

Making work possible

1.29 Even within a stable and growing economy, and with the right incentives in place, some people will find it hard to move into work. Most people who experience a spell of unemployment return rapidly to work. For example, over three-quarters of those making a claim for Jobseeker's Allowance leave benefit within six months. But for others, the barriers are more severe.

1.30 That is why the Government introduced the New Deal in 1997, funded by the windfall tax on the privatised utilities. The aim of the New Deal for Young People is to help them back into the labour market as quickly as possible, whilst at the same time investing in their long-term employability. It offers young people more flexible help, personalised advice, high quality skills training, access to real jobs – with incentives for employers – and more intensive help where it is needed.

1.31 Independent research from the NIESR[1] estimates that long-term youth unemployment would be nearly twice as high today without the New Deal. And over half a million participants have been better prepared for work so they can fill vacancies more quickly and increase productivity, which in turn leads to higher employment.

[1] The National Institute of Economic and Social Research report *New Deal for young people: implications for employment and the public finances*, published December 2000.

1.32 The New Deal also introduced a change of culture – for the first time there would be no option of a life on benefit, and this was backed up by benefit sanctions for those who repeatedly failed to attend interviews or to participate in the options available. This new approach – a high quality programme of support in return for greater responsibilities – has been very successful. By September last year, the Government had already met its pledge to help 250,000 long-term unemployed young people off benefits and into work.

1.33 Over the past four years, the New Deal has been extended to other groups: long-term unemployed adults, lone parents, disabled people, those aged over 50 and the partners of unemployed people. In each case the New Deal is based on similar principles – more help, more choices, and the support of a Personal Adviser – but matched by a greater responsibility on the part of individuals to help themselves. In each case the New Deals have been tailored to address the particular barriers faced by those groups and to reflect the other responsibilities, such as caring for children, that they face.

1.34 In addition, there is extra help over and above New Deal for those who need it. **Lone parents**, for example, often say that finding affordable, good quality childcare is one of the biggest barriers to work. The first ever National Childcare Strategy is ensuring that affordable, accessible, high quality childcare is available in every neighbourhood. Already this has delivered over 500,000 new childcare places and free universal nursery education has been put in place for all 4-year-olds.

1.35 The help that is available to parents paying for childcare has also increased. The childcare tax credit within the WFTC provides direct help with registered childcare costs. And in Budget 2001, the Chancellor announced that the limits for eligible childcare costs will rise in June this year from £100 to £135 for one child, and from £150 to £200 for two children or more. The Government will also consider how to help families – such as those who work unsocial hours and parents of disabled children – who need to use formal childcare in their homes.

1.36 For **disabled people**, the barriers to work can often be formidable. But over a million people on sickness and disability benefits say they would like to work. The Government's response includes:

- improving work incentives through the Disabled Person's Tax Credit and in the benefit system (for example, a new linking rule which allows people on Incapacity Benefit to return to the same rate of benefit within one year if a job does not work out);
- piloting ways of helping people with disabilities get back to work through the New Deal for Disabled People; and
- tackling discrimination in the workplace, through setting up the Disability Rights Commission, and strengthening the Disability Discrimination Act through our proposals set out in *Towards Inclusion – Civil Rights for Disabled People*.

Promoting diversity

1.37 The Government has also acted to create the conditions in which employers recognise the value of diversity in the workforce and the contributions that all people can make to economic success. For example, it has set up a telephone service (called Equality Direct) to provide employers with advice. It has extended protection in the field of race equality, so that all public bodies are now under a duty to combat discrimination and promote race equality, and a similar duty will be introduced for disability and gender. And it has worked to ensure that the New Deal actively promotes equality of opportunity and outcomes for jobseekers of all ethnic minority and racial groups. Ethnic minority organisations and communities have been involved in the help on offer, so that everyone on the New Deal can benefit.

Reaching areas of high unemployment and inactivity

1.38 As was recognised in *Opportunity for All* a new approach to regional policy needed to be developed based on building the capacity of all communities and regions, particularly in the most deprived neighbourhoods. Employment Zones and Action Teams offer significant new help.

1.39 The Zones offer much greater flexibility for Advisers to use resources in any way that will help the individual take up a job. They are run by private sector contractors and in 9 of the Zones there is a unique public/private partnership called Working Links, with an emphasis on payment by results.

1.40 Last year, the Government also launched Action Teams for Jobs, with the aim of finding innovative ways of raising employment rates in 40 areas with high levels of deprivation, or with a high proportion of people from ethnic minority backgrounds. The Action Teams allow a more flexible use of resources to help people looking for work, regardless of which benefit they are claiming. Both these initiatives are showing early signs of success. New Action Teams are now being created and Action Team provision will be extended over the next three years.

Modernising delivery

1.41 Alongside the New Deals, the delivery of welfare services has been modernised. For too long, the system had been essentially passive, paying out fortnightly benefit cheques. The split between the Employment Service (dealing with those claiming Jobseeker's Allowance) and the Benefits Agency (dealing with those claiming other benefits) has encouraged a situation where, for most people, the system is not geared enough towards promoting work.

1.42 The Government has established twelve ONE pilots, to deliver a work-focused service to all those of working age claiming benefits. In the pilot areas, we have tested out requiring all new claimants to attend an interview with an Adviser, so they can find out about the help and opportunities available. This will now be built on with a new Working Age Agency, set out in more detail in Chapter three.

1.43 In preparation, the Government is also starting to modernise the way that customers access services, through substantial investment in new technology (see below). This will provide a better service both to those claiming benefits and also to employers.

Transforming the delivery system

The ground for the new agency has been prepared through radically improving existing services to jobseekers and employers:

○ already anyone seeking work can ring Employment Service Direct to get access to all of the job vacancies for the price of a local phone call. Over five million people have used the service and over 1,500 find jobs every week;

○ all 300,000 job vacancies can be searched on the net – at www.employmentservice.gov.uk – 24 hours a day, 365 days a year;

○ already Worktrain is providing, for the first time ever, information on jobs, careers and lifelong learning from one site – at www.worktrain.gov.uk – a first in Europe.

Education and training

1.44 The Government has an active role in education and training. It must provide a framework within which individuals, businesses and the economy as a whole can prosper. In the dynamic and diverse labour market of today with its short product cycles, a comprehensive strategy which helps people to move from welfare into work must be underpinned by an education and training system which delivers high and relevant skills. A modern economy puts a premium on skills, knowledge and understanding. Those who lack those assets face an uncertain future in the job market and increasing marginalisation in society. Higher skill levels also lead to higher national productivity, thereby helping the UK to compete successfully in the world economy.

1.45 In 1997 there were poor standards in schools. Millions of adults, lacking the basic skills of literacy and numeracy, were not engaged in learning. The system of vocational and technical education was often of low quality. Substantial progress has been made in tackling and laying the basis for improvement, though there is more to do.

1.46 Primary schools are now delivering the best ever results in English and mathematics. More young people are achieving five or more higher grades at GCSE, and more after age 16 are going on to gain the preparation and skills needed for work through broader and strengthened programmes of study. Standards have been raised in further education and funding in the sector is set to rise by 16 per cent in real terms over the next two years.

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Record numbers of young people are already entering higher education and tough decisions on student funding have secured the resources necessary for further expansion while sustaining quality.

1.47 Opportunities to learn are being opened up to more and more people. Almost 750,000 adults have opened Individual Learning Accounts which allow them to benefit from a wide range of learning at lower cost and we are well on our way to meeting our target of 1 million account holders by March 2002. New ways have been created for people to learn, in education and training institutions and at work, or at home, through the new University for Industry (Ufi) and a network of thousands of community-based on-line learning centres. Under the brand name **"learndirect"**, Ufi has started to roll out its internet-based learning portal and services covering basic and higher level skills. Already 75,000 people have registered for **learndirect** courses. Many of them are returning to learning after an interval of years.

1.48 The new Learning and Skills Council will lead the drive to realise the vision of a learning society in which everyone has the opportunity to go as far as their talents and efforts will take them. It is an historic reform bringing together for the first time the planning and funding of all post-16 academic and vocational learning outside higher education. Its key objectives are to raise standards, to encourage more young people to stay in learning and to maximise the contribution of education and training to economic performance. It will do this by raising the skills of the workforce and by drawing into learning those on the margins of the labour force or who have lost their jobs as a result of economic change.

Cutting the bills of social and economic failure

1.49 Whilst the costs of unemployment virtually doubled, between 1979 and 1997, the costs have been halved over the past four years. The annual savings on the costs of unemployment-related benefits this year, and for the following year, will be £4 billion compared to 1997 even if unemployment falls no further. This is not only an economic success. Growing opportunity, more jobs and rising incomes means the number of claimants is falling.

1.50 Looking across all age groups, the following table shows the fall in the number of benefit claimants between May 1997 and May 2000.

Reduction in total number of benefit claimants

Benefit	May 1997 claimants	May 2000 claimants	Reduction in the number of people claiming	% reduction
Jobseeker's Allowance	1.56m	1.07m	490,000	32%
Incapacity Benefit	2.37m	2.26m	110,000	5%
Housing Benefit	4.64m	4.03m	610,000	13%
Lone Parents on Income Support	1.01m	0.91m	100,000	10%

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Spending less on unemployment and other benefits means there is more money to spend on other priorities: pensioners, families and investing in education and health. It also means extra help can be concentrated where it is needed – for those groups who are most disadvantaged in the labour market, which is a theme dealt with in more detail later in this document.

Government pledges

This table sets out Government pledges in 1997. All have been achieved.

We will give 250,000 under 25s opportunities for work, education and training	✔
We will replace the failed Youth Training scheme with our new Target 2000 programme, offering young people high quality education and training	✔
We will encourage employers to take on those who have suffered unemployment for more than two years with a £75 a week tax rebate, financed by the windfall levy	✔
Lone parents will be offered help by a proactive Employment Service to develop a package of jobsearch, training and after-school care to help them off benefit	✔
We will co-ordinate benefits, employment and career services and utilise new technology to improve their quality and efficiency	✔
We will crack down on dishonesty in the benefit system	✔
We will combine money for benefits and training in innovative ways through Employment Zones Personal Job Accounts that allow co-ordination, flexibility and new options to help people into work	✔
We will invest in Individual Learning Accounts so that people can use them to gain the skills they want	✔
We will create a University for Industry bringing together Government, industry and education and using new technology to create new opportunities and resources for adults to learn.	✔

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This chapter describes the next steps in moving further towards the goal of full employment. It explains some of the new challenges being faced, including the need to address skills gaps in some sectors of the economy, as well as extending welfare to work policies to all those who have been denied employment opportunities in the past.

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Chapter two:
Next steps

2

Building on success

2.1 The experience of the last four years has proved that the Government was right in its assessment of the challenge we faced in 1997 – and right about the response required to meet that challenge. A combination of sound economic management and measures to help people move from welfare into work has resulted in:

- over 1 million more people are in work than in 1997;
- ILO unemployment is the lowest since 1979, and the claimant count has fallen to below 1 million for the first time in 25 years;
- long-term unemployment has more than halved since 1997;
- the employment rate of lone parents is over 50 per cent for the first time in 20 years; and
- the employment rate of people over 50, which had fallen for most of the last 20 years, has risen faster than the average over the last 4 years.

2.2 Building on these achievements, the Government now seeks to go further towards the goals of full employment, increased productivity and continued, sustainable economic growth.

2.3 The goal is to provide employment opportunity for all, the modern definition of full employment. The Government considers that our economic interests go hand in hand with the demands of social justice: a successful economy depends on making the most of the talents of all people. We simply cannot afford to leave people on the margins of society and dependent on benefit. Instead, the Government wants to ensure that everyone has the opportunity to make the most of their skills and talents, to lift themselves and their families out of poverty, and to improve their living standards.

2.4 Over the last few years, improvements in the number of people in employment in the UK have contributed to increasing economic growth. But as well as continuing to help more people into work, we also need to raise the productivity of those in work. A highly skilled workforce is essential if we are to develop highly productive businesses. The US experience in the 1990s has shown that it is possible to achieve high productivity growth at the same time as high employment growth.

2.5 If similar success can be achieved in raising employment rates and improving productivity, it will allow the economy to continue to grow, with low inflation. In turn, this creates a better climate for business, and for families, by helping to keep interest rates down. And by maintaining low and stable interest rates, more investment by Britain's businesses will be encouraged.

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That will help boost future economic growth and enable use to compete effectively in the world economy.

2.6 Government has an active role in this. It must provide a framework within which individuals, businesses and the economy as a whole can prosper. In the dynamic and diverse labour market of today, with its short product cycles and increasingly service-based and small-scale operations, the Government is well placed to bring together the people without jobs and the jobs without people. It is important that potential workers are aware of, and prepare for, the needs of employers in all sectors and that employers are aware of and cater for the diverse range of potential workers.

2.7 A great deal has already been achieved on the road to our goal of full employment. Over the next few years, that approach, which has served us well since 1997, will be built on. That means, first and foremost, the commitment to stability will be maintained. No risks will be taken with economic stability, which is the essential pre-condition for making employment opportunity a reality for all.

2.8 It also means that the strategy for making sure that work pays, as set out in Chapter one, will be built on. Traditionally, the tax and benefit systems have evolved to meet different objectives – the tax system to raise revenue, and the benefit system to provide people with financial support when they are in need. But we believe that in a modern economy, the tax and benefit systems should work together towards the common objectives of making work pay and tackling poverty.

2.9 The Government is committed to continue its programme of tax and benefit reform. A new employment tax credit will be introduced in 2003. This will extend the principle of the WFTC to those without children.

2.10 This will be complemented by an integrated child credit, to provide a secure income for families with children. And to reduce further the uncertainty for those moving into work, from October this year we will begin a new Rapid Reclaim service for people claiming either Income Support or Jobseeker's Allowance, so they can re-claim benefits much more easily if a job falls through. We are also looking at extending this approach to other benefits.

2.11 The Government also plans to extend and improve its welfare to work policies, which have started to deliver a more active welfare system. For example, we will increase the use of Personal Advisers, which has proven to be effective, combined with practical support. We will continue to seek ways of working in partnership with the voluntary and private sectors, to deliver better services and high quality opportunities. And we will do all of this within a framework of more rights, and more choices, matched by greater responsibilities.

2.12 The Government has set out the national picture above. In addition, the devolved administrations are developing distinctive solutions to their distinctive challenges as set out in the pages that follow.

Next steps to full employment in Scotland

Today macro economic stability and productivity improvements arising from new industries are contributing to higher employment rates than a decade ago. But we face the challenges of success. Scotland needs new skills and better matching of skills and opportunities. The Scottish Executive vision is of a high skill, high wage economy with a higher employment rate across many parts of Scotland. The Scottish Executive has:

- helped deliver across Scotland a large fall in unemployment and a rise in jobs. In the last 12 months, claimant count unemployment has fallen in every single local authority area and long term youth unemployment is down by 26 per cent. Total employment has gone up by 73,000 since April-June 1999, and the number of working age people in employment now stands at the highest level since records began in 1960;
- launched the PACE initiative – Partnership Action for Continuing Employment – to assist those made redundant; and
- developed initiatives through the New Deal Task Force to train young people for growth sectors such as retail, hospitality and call centres.

The Scottish Executive will:

- work with Scottish Enterprise, Highlands and Islands Enterprise and the private sector to develop **new approaches to understanding the Scottish labour market**. Key initiatives are a one-stop **all age Careers Advice Service, new learning opportunities through learndirect scotland** and a new **Future Skills Scotland Unit;**
- take initiatives to **strengthen employer linkages** and help clients obtain jobs in sectors with high vacancy levels, including working with employers in construction, retail, hospitality, small business and the public sector;
- develop the work of the **Glasgow employer coalition** to improve employer engagement, and contribute to expected net jobs growth in Glasgow of 21,000 by 2008;
- ensure the **basic employability of all of our people, including the most disadvantaged**, so that we can narrow the unemployment gap and restore full employment;
- provide additional resources of £22.5 million to support badly-needed developments and innovative approaches to **improve adult literacies**;
- focus on **information communication technology (ICT) as a core skill for employability**, with an additional £2.5 million to create 1,350 ICT training places in the current year and deliver European Computer Driving Licence and technician-level training;
- **deliver**, with support from the New Opportunities Fund, **out of school care** places for 100,000 children by 2003 in support of the Executive's jobs and social justice priorities;
- provide **intensive support to young homeless people** through the New Futures Fund to help them develop their employability and work skills; and
- make available £6.5 million for **employment and training measures in support of the Scottish Executive drugs strategy**, and ensure a strong employment element in drugs rehabilitation and the work of drugs action teams.

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Next steps towards a better Wales

The National Assembly for Wales is striving to create a prosperous Welsh economy that is dynamic, inclusive and sustainable, based on world-class competitive businesses and skilled, well-motivated people. Over the past 30 years the Welsh economy has been able to replace some 200,000 jobs lost from the decline in manufacturing and deep coal mining. It is now faced with the task of absorbing the latest changes to employment in the steel industry.

Wales is currently in a period of sustained employment growth. But the Welsh economy is still under-performing, with GDP per head low in relation both to the UK and Europe; higher than average numbers of people not participating in employment and inactivity concentrated among older men.

In addressing these issues, The National Assembly is developing a National Economic Development Strategy featuring an employment/skills action plan based on the recommendations of the Future Skills Wales Task Force. High quality, lifelong learning available to all is the National Assembly for Wales's highest priority.

The National Council for Education and Training, together with the Higher Education Funding Council for Wales, will comprise ELWa (Education Learning Wales), embracing all post-16 learning.

In tackling the economic and social needs of Wales, the National Assembly will:

- **target new employment opportunities** in higher value sectors of industry;
- **develop the skills and capacity of the workforce** to adapt to technological changes;
- **generate an enterprising economy** where people are willing and able to exploit opportunities;
- **develop**, through a task force, a **childcare action** plan to build on the work already undertaken by the National Childcare Strategy in Wales;
- **drive post-16 learning** with the aim of increasing the number of participants in learning by at least 10,000 annually;
- **reduce the number of young people and adults without qualifications** to 1 in 20 and 1 in 8 respectively;
- **increase the proportion of young people and adults with basic skills in literacy and numeracy** to above 9 out of 10 and 5 out of 10 respectively by 2004;
- **develop close links with learndirect** in order to create flexible learning opportunities geared to individual circumstances and aspirations; and
- **engage with the National Training Organisations, the business community** and **the trade unions on workforce development.**

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Next steps in Northern Ireland

The Northern Ireland Executive recognises that Northern Ireland faces a major challenge to equip all of our workforce with the skills, education and aptitudes for a global economy in a way which balances the needs of three groups: new entrants to the labour market, those in employment and those unemployed who seek employment. The vision is of a Northern Ireland economy which is fast growing, competitive, innovative and knowledge-based, where there are plentiful opportunities and a population equipped to grasp them.

It is vital to make the best possible use of the schools system, further and higher education and vocational training sector, Jobskills programme, universities and other resources if young people are to be properly prepared for their futures.

The Northern Ireland Executive will take the following actions:

- by March 2002, **pilot a new training programme for adults with basic literacy and numeracy problems**;
- from April 2001, bring into operation **an enhanced New Deal 25+** which will contain specific Northern Ireland provision allowing early entry to the scheme for those returning to the labour market and lone parents;
- in October 2001, initiate a **pilot scheme for the development of Foundation Degrees** in Northern Ireland;
- achieve a total enrolment of **35,000 full-time equivalent students** in higher education institutions in the 2001/02 academic year; and by March 2002, provide an additional 2,500 further education student places on vocational courses over 2000/01 provision;
- by September 2002, **invest in the development of further education staff** to improve standards and student achievement of full or unit passes at NVQ levels 2 to 4 by 5 per cent over 2000/01;
- from September 2001, **introduce a childcare grant to assist mature students** on low incomes and reduce the disincentive to full-time higher education; and
- by December 2001, **provide Individual Learning Accounts** to help pay fees for part-time students in certain higher and further education vocational courses in order to encourage greater participation in important skill areas and enhance lifelong learning.

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Responding to new challenges

2.13 There are still a number of significant challenges nationally which will require us to step up our efforts and adapt our approach. First, **more needs to be done to help those who are economically inactive**. Although there have been substantial falls in unemployment, and the trend towards growing inactivity has been reversed, there are still around 3½ million people claiming benefits either as lone parents or because they are ill or disabled. For some, work is not a viable option: and for them we want to deliver greater support and security. But the majority can and do want to work, given the right sort of support.

2.14 Second, more needs to be done to ensure that employment opportunities are available to those in **remaining pockets of high unemployment** and low employment, and to **help those with multiple barriers to work**, such as homelessness, mental health problems, or drug or alcohol misuse.

2.15 Third, **gaps in skills must be addressed**. In some industries and some parts of the country there are skills gaps, particularly in some key areas like information technology, engineering and communications. This provides strong economic arguments not only for boosting skills but also for bringing into the labour market many of those who were previously overlooked, such as older workers, lone parents, and people with disabilities.

2.16 Fourth, **the productivity gap must be closed**. The productivity of the UK economy lags behind many of the UK's competitors. That means more investment is needed to raise and continually update people's skills. And the beneficiaries are not only individuals, in terms of higher earnings potential, but also the economy as a whole. Even small changes in productivity can have a large impact on output. For example, if raising skills in the UK only increased productivity growth by 0.1 per cent a year, the economy could generate somewhere in the region of £10 billion more output overall over the next ten years.

2.17 To reflect these new challenges, the Government's strategy for full employment over the next decade will:

- broaden the scope of welfare to work programmes to cover **all people on benefits who are economically inactive** as well as the long-term unemployed;
- **extend the help offered to people living in areas of high unemployment** and deprivation, and provide more intensive support for the hardest to help;
- put in place a modern **Working Age Agency**, which can deliver better and more integrated services, making use of new technology, and with much greater flexibility to target resources where they are most needed;

- focus increasingly on helping people to break out of the low-pay, no-pay cycle, by helping them not only get into work, but to stay in work and to **gain the skills they need to progress in work**. We will focus in particular on raising levels of basic skills, as well as skills in Information Communication Technology (ICT), to prevent bottlenecks in the labour market having an adverse impact on economic growth; and

- tailoring provision to the needs of particular **industry sectors** to ensure a better fit between the needs of employers and the skills and experience of people looking for work.

2.18 So that progress can be tracked, clear and ambitious targets for the next parliament will be set for the next decade – building on the Public Service Agreement targets agreed earlier this year.

Targets for the future

Over the next 10 years the goals are to ensure that:

- **there will be a higher percentage of people in employment than ever before;**
- **for the first time, the majority of the UK's young people can expect to go on from school or college into higher education;**
- **the number of lone parents in work will have risen from just over half to 70 per cent;**
- **child poverty will be halved, as the Government moves forward with its commitment to abolish child poverty within 20 years;**
- **750,000 adults improve their literacy and numeracy by 2004; and**
- **the PSA targets set an increase in the employment rates of disadvantaged areas and groups – disabled people, lone parents, ethnic minorities and the over 50s, the 30 local authority districts with the poorest initial labour market position – and a reduction in the difference between their employment rates and the overall rate by 2004.**

2.19 Across all the reforms the policy agenda must produce **wider employment opportunities for women** in every sector, including those returning to the labour market. Many of the policies described in this paper – in particular the National Childcare Strategy and the New Deal for Lone Parents – are of particular benefit for women, but more needs to be done to improve women's job prospects and pay.

2.20 The next chapters set out in more detail how the Government intends to meet these objectives and the other challenges faced in pursuing our goal of full employment.

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This chapter focuses on the radical extension of the active labour market policies to cover all those on benefits, as well as improving and extending the New Deals. It also describes how additional resources will be targeted on helping people – and neighbourhoods – facing the greatest disadvantages. Finally, it sets out the plans for a new Working Age Agency, to step up the drive to help people into work.

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Chapter three:

Employment opportunities for all

3

Ensuring attachment to the labour market

3.1 The Government wants everyone to have employment opportunities and to be equipped to take them up. The Government is engineering a fundamental shift in the way that workless people have traditionally been supported. In the past the welfare state was largely passive, with its prime targets being to pay benefits quickly and accurately. That will always be important, but the Government is now establishing a far more active system based on work for those who can and security for those who cannot.

3.2 This year the Government is creating a brand new, modern agency for people of working age with a very clear focus on work. It will deliver a single, integrated service to all benefit claimants of working age and to employers. The new Working Age Agency will be at the heart of our drive towards full employment, providing a better and more responsive service, tailored to individual needs and asking the question "what can we do to help you become more independent?" The Agency will have a new culture that puts its customers and their attachment to the labour market first.

Improving New Deal

3.3 For many people, having regular contact with the labour market and the continuous stream of vacancies through the new Working Age Agency will be sufficient to get them into work. However, some will experience long-term unemployment or remain inactive and disconnected from the labour market. New Deal is aimed squarely at those who most need help. The Government has already announced that New Deal will become a permanent New Deal and we will continue to build on its success.

Helping unemployed people

Young people

3.4 New Deal for Young People has transformed the lives of the 270,000 young people it has helped into work. Still more have gained vital employability skills which will help them in the future. A further 80,000 young people who left New Deal for unknown destinations are also estimated to have left New Deal to take jobs. **The Government will develop the programme further in the light of lessons we have learned and outcomes to date, particularly by increasing access to subsidised employment which has proved successful; and by allowing more individually tailored**

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provision in the options period. And the Government will do more to help those people who are the very hardest to help, as described later in this chapter.

Long-term unemployed adults

3.5 There are still 143,000 adults aged over 25 who have been unemployed for 18 months or more. Results from the New Deal 25 plus pilots, mirroring that of the New Deal for Young People, show that the programme is successful at moving unemployed adults more rapidly back into work and the Government will now build on those lessons.

3.6 **From April 2001 the Government will invest £200 million a year to improve New Deal 25 plus**. The new programme will be much more flexible and much more intensive. Participants will work with their Adviser to put together a package of help whose focus, length and content will reflect their own individual needs. Advisers will be in constant touch with them, sorting out any problems, working with them to identify next steps, and helping them apply for jobs. In return for this extra help, the responsibilities placed on participants will increase, with benefit sanctions of up to 6 months for those who refuse to take part. This will provide a step change in provision for those people over 25 who have been unemployed for 18 out of the previous 21 months.

People over 50

3.7 The *Winning the Generation Game* report published last year by the Performance and Innovation Unit showed that one in three people aged between 50 and state pension age are not working – and almost half of people in that age group are dependent on benefits for most of their income. Many people want to carry on working long past 60, not necessarily in the same job, but perhaps in a new career, in part-time or voluntary work. We are determined to give people those choices: doors should be opening, not closing. And in today's labour market, with skills shortages in parts of the country, we need to end this waste of talent.

3.8 That is why the Government is tackling age discrimination in the labour market, as well as providing help for those who want to work and re-train. The Government has already introduced New Deal 50 plus. It will help 50,000 people aged over 50 off benefits and back into work in 2001, in combination with other employment and training programmes. **From April 2001 the enhancements to New Deal 25 plus, national extension of New Deal for Disabled People and the further development of 3rd Age Apprenticeships, will help to improve employment levels of older workers further.**

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More help for all people without work

3.9 Since 1997, the Government has taken the first steps towards extending the principles behind New Deal to a much wider group of people who face particular problems in getting work. This is the right thing to do, not only because many lone parents, partners of those who are unemployed, disabled people and other disadvantaged groups want to work. But crucially also because a job for most people is the best route out of poverty. There are still 1 million unemployed people on benefits and around 4 million on other working age benefits including 900,000 lone parents, and 2.9 million people on sickness and disability benefits. In order to reach our goal of ending child poverty, it is important that all benefit claimants who are inactive are offered the opportunity to work. And it will also help to maintain steady economic growth with low inflation.

Lone parents

3.10 In the first chapter, we set out some of the measures that have already been taken to enable more lone parents to work – making work pay, and making work possible through practical support, like improved childcare and the New Deal. New Deal for Lone Parents (NDLP) has already helped over 80,000 lone parents to move into jobs.

3.11 As a result of improving economic conditions, as well as measures like the NDLP, the number of lone parents on benefit has fallen by 130,000 over the last 4 years and over half of lone parents are in work for the first time in 20 years. But there are still just under 900,000 lone parents on Income Support, and children from lone parent households still make up almost half of all children living in poverty. The Government needs to do more to ensure that all lone parents, particularly those on benefits, are aware of the new choices open to them and to offer more help, so it can make progress towards its targets of getting 70 per cent of lone parents into work by the end of the decade and abolishing child poverty.

3.12 The Government has already tested out requiring all lone parents making new or repeat claims to benefit to attend interviews in the ONE pilot areas. Preliminary results have been encouraging, with lone parents in pilot areas 40 per cent more likely to be in paid work four or five months after beginning a benefit claim than those in comparable areas. Moreover, in the offices where there are mandatory interviews for lone parents claiming benefit, early indications are that take-up of NDLP is three times the national average.

3.13 Most lone parents say they would like to work. Now the Government wants to make sure that all lone parents are aware of the choices and support available to help them to make the move towards work. **So from this April the Government will start to introduce mandatory interviews with a Personal Adviser for all lone parents making a claim to benefit, initially to discuss their opportunities for taking up work or training.** To make sure that lone parents do not lose touch with the labour market,

there will be further interviews after six months on benefits and then after a year, followed by annual meetings.

3.14 **At the same time, the Government will invest £100 million in 2001–02 in more support through the New Deal and an enhanced package of choices for lone parents.** This is set out in more detail in the box below.

New choices for lone parents

From this April, lone parents will be able to:

- **get more help with training – with a new £15 weekly training premium for approved training through NDLP and access to short work-focused courses;**
- **get more help with moving into work – with a guaranteed minimum income of £155 per week in 16 hours work and £214 in 35 hours work through the WFTC plus financial help to make the transition to work through the Income Support run-on; and**
- **get more help to try some work – those choosing to work less than 16 hours a week will be able to get help with their childcare costs for their first year in work and will be able to keep the first £20 of their earnings without losing any benefits.**

From October 2001, lone parents will get more help with moving into self employment, with help through New Deal to learn how to start up a new business and financial support to test trade for six months without losing any income.

3.15 To ensure that the Government is able to reach out to all lone parents in need of help to get a job, it will provide outreach for lone parents and for partners of those on benefit, especially to those living in isolated communities or from groups that do not normally come into contact with Government agencies. Advisers will work with local organisations and community groups to inform lone parents about the help available to move into work.

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Childcare

Evidence shows that a lack of suitable, affordable childcare is a major barrier to work particularly for women and lone parents. Over a third of lone mothers not working outside the home say a lack of childcare is the most important reason why they do not work. They highlight affordability as the main factor.[2] To support parental employment and to ensure that children have the best start in life, the Government is investing in the National Childcare Strategy which aims to provide affordable, accessible, high quality childcare.

- ***Affordability*** **– we are subsidising childcare costs for lower-income working families through the childcare tax credit element of the Working Families' Tax Credit. We are making this even more generous – from June 2001 it will cover 70 per cent of eligible childcare costs for up to £135 for a family with one child and £200 for a family with two or more children. New Deal for Lone Parents is providing additional help for lone parents who are training, starting up in self employment or working for less than 16 hours and to meet the up-front costs of childcare;**

- ***Accessibility*** **– the National Childcare Strategy will create new childcare places for 1 million extra children by 2004. To date, the Strategy has already helped create additional places for over 340,000 children. The Government has established 150 Early Years and Childcare Partnerships across the country. This is complemented by Children's Information Services which provide parents with the information they need to make an informed choice about childcare in their area. We are trebling the money for the National Childcare Strategy from April 2001, investing in 900 new Neighbourhood Nurseries, so that by March 2004 there should be a childcare place for every lone parent entering employment in the most disadvantaged areas; and**

- ***Quality*** **– we are driving up standards so that parents can be confident in the quality of the childcare they choose. From September 2001, OFSTED will take over responsibility for the registration and inspection of childcare facilities which will help childcare providers meet the national standards for day care. Increased investment in training opportunities will mean that local providers can meet and, in some cases, exceed the standards.**

Joint claims and New Deal for Partners

3.16 In the past, the partners of people claiming benefits have been offered no help to find work, and they have not been required to seek work. The Government considers that if neither partner in a couple has caring responsibilities, they should both be expected to find work if they can. **So from March 2001, childless partners born after 1976 will become**

[2] DfEE's survey into *Parents' Demand for Childcare* (March 2000)

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joint Jobseeker's Allowance (JSA) claimants – both partners will have the same rights and responsibilities. In return we are offering active help to all partners of JSA claimants through the New Deal for Partners, or through New Deal for Young People for those aged 18–24.

3.17 The Government also intends to offer this help to the partners of other benefit recipients. **From April, help under New Deal for Partners will be opened up to the partners of people claiming Income Support and disability benefits.**

People on sickness and disability benefits

3.18 Disabled people are nearly seven times more likely to be out of work and claiming benefits than non-disabled people, so the Government is providing the choices and opportunities they have been denied in the past, in return for greater responsibilities to find out about the help on offer. **The Government has already announced its intention to extend New Deal for Disabled People nationwide, starting in July.** A national network of Job Brokers with specialist expertise will have the flexibility and freedom to decide how best to help their clients, responding to each as an individual. They will be funded by results, receiving a fee for each person they move into employment and a bonus payment if they are still in work after six months.

3.19 The Government also wants to do more at the early stages of sickness and disability[3] because it believes that early intervention can be crucial in preventing long-term inactivity. At present, over 80 per cent of the 150,000 people a year who move from Statutory Sick Pay to Incapacity Benefit do not work again within many years. To try and address this problem, **the Government is setting up job retention and rehabilitation pilots** to test out different approaches to stem the flow, including better advice to employers and improved access to occupational healthcare.

3.20 The Government is also taking steps to help people on the Supported Employment Programme develop the skills they need to progress to open, unsupported employment. The modernisation of the Supported Employment Programme (which will be known as WORKSTEP from April 2001), has already begun. **The Government will invest an additional nearly £40 million over the next three years to enhance supported employment.** WORKSTEP builds in incentives to encourage providers to invest in the future development of those on the programme, so that as many as possible can progress to mainstream work.

[3] Employers are responsible for paying a minimum of the Statutory Sick Pay rate for the first six months of their employees' sickness.

Self employment

People on benefit who want to move into self employment can face particular difficulties – benefit rules have, in the past, stifled enterprise. Workless people also face greater financial insecurity. The Government has introduced a number of measures to help people on benefits overcome these difficulties and be an active part of a new culture of enterprise. These include training and test-trading through the New Deal; flexible benefit rules to help when people are first setting up their businesses; and on-going financial support providing a guaranteed income while self employed. Test trading for six months, a key feature of the self employment route in New Deal for Young People, will be available to those starting their own business through New Deal 25+ from April 2001. From October 2001, lone parents will also receive additional help to move into self employment. Each Working Age Agency office will offer advice on self employment.

Tackling pockets of high unemployment and deprivation

Help for those in areas with high unemployment or inactivity

3.21 Unemployment has fallen in every region of the country. But there are still pockets of high unemployment, mainly in poor urban neighbourhoods, often within daily travelling distance of areas with high numbers of job vacancies, and people face difficulty finding work there. Getting people from such neighbourhoods into work is a vital part of the wider renewal of those neighbourhoods.

3.22 That is why the Government has made lower worklessness one of the core outcomes of the National Strategy for Neighbourhood Renewal, our long-term programme for revitalising poor neighbourhoods. The Government is also committed to a three-year target for increasing the employment rates of disadvantaged areas and groups, including the 30 local authority districts with the poorest initial labour market position – and to reduce the difference between their employment rates and the overall rates.

3.23 We have already started to make a difference – with the added flexibility, innovation and resources of the first Employment Zones, targeted at those areas with the highest levels of unemployment. Employment Zones have already helped over 6,000 long-term unemployed people into work. **The Government will build on this early success by extending the existing Employment Zones for an additional 12 months.** Subject to a satisfactory evaluation of the pilots, the Government will consider extending Employment Zones to new areas and to other claimant groups, for example, lone parents.

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3.24 **Similarly, the Government will extend the life and coverage of Action Teams for Jobs, to help more areas over a longer period by investing a further £120 million over the next three years.** Action Teams have demonstrated the success of outreach to a wide range of groups, including ethnic minorities. Along with the regeneration initiatives outlined in the Urban White Paper, Action Teams are already revitalising areas that really need the help. The Government will fund the existing teams for another three years and increase the number of Action Teams, bringing targeted help to people and employers in about 50 areas of England, Scotland and Wales.

3.25 We will ensure that the delivery of programmes for getting people into work is brought together with the planning and delivery of other actions to help neighbourhood renewal overseen by Local Strategic Partnerships.

3.26 As well as helping to equip people in deprived neighbourhoods to take up the available vacancies, the Government is also taking steps to encourage business and job creation in the poorest areas. In some areas, business creation rates are only a sixth of the level in more prosperous cities and towns. **That is why we recently issued a consultation document[4] setting out proposals for a new community development tax break, aimed at creating £1 billion of private investment in disadvantaged communities.** This will operate on a competitive basis and be awarded to the best bids from community development finance providers.

People from ethnic minorities

3.27 Focusing help on areas with high unemployment will also help significant numbers of ethnic minority people. Four main conurbations contain 85 per cent of the ethnic minority population – Greater London, West Midlands, West Yorkshire and Greater Manchester. Unemployment rates for people from ethnic minority groups are up to three or four times higher than for those who are white and employment rates well below. People from ethnic minority groups who hold the same qualifications as white people are more likely than their white counterparts to be unemployed. And whilst ethnic minority performance on New Deal for Young People compares well to past programmes and the labour market as a whole, young white people have still done better.

3.28 To start to close the gap, the Government will work with the Commission for Racial Equality and others to encourage employers to create more diverse workforces. We will renew efforts to ensure public sector employers offer equality of opportunity for people from ethnic minorities. The new Working Age Agency will maintain a clear focus on parity targets across all areas of performance helping to close the gap. Action Teams and other initiatives targeted at areas with high ethnic minority populations will support these targets. Recognising the diverse needs of different ethnic minority communities, we will invest £15 million in new outreach for ethnic minorities over the next three years, through voluntary and community bodies.

[4] *Enterprising Communities: a tax incentive for community development* – 1 March 2001.

We will also introduce a new focus on improving the performance of New Deal and other support in the four main conurbations.

Helping those facing the greatest disadvantages

3.29 For most people, the flexibility and personal advice from the New Deal will be sufficient to help them take steps towards employment. As the New Deal succeeds in getting large numbers of people into work, it is increasingly important to work with those facing the greatest challenges – especially people with multiple problems such as homelessness, drug or crime-related problems or mental ill health. We discuss our initiatives to raise skills, for people with low or basic skills, more widely in Chapter four. We set out below how we plan to target particular help to those with multiple problems.

3.30 People with drug or crime related problems, mental ill health or behavioural difficulties are particularly hard to help and need more individual help and attention. We need within the New Deal to provide a more focused approach to helping these people.

3.31 The Government is ensuring that young rough sleepers have immediate access to the New Deal. We are also stepping up our efforts to help ex-prisoners, by guaranteeing to provide help with employment before they are released, as well as setting new targets to increase the numbers of prisoners achieving vocational qualifications. And, as announced in Budget 2001, **we are improving support for clients with drug problems through a new three-year budget of £40 million to provide 30,000 benefit claimants with the mentoring and training they need, as long as they meet their responsibility to become drug-free, and through increased training for advisers in how to recognise and deal with such problems.**

3.32 The Government is also committed to trying a wider range of approaches to help the very hardest to help. Building on the Environment Task Force, the Government will launch pilots testing different approaches such as transitional employment. These will initially provide a highly supportive environment for people with multiple barriers with the support gradually reduced over time as people become more independent within the programme, so that by the end of the transitional period they are ready to take up regular jobs in the open economy.

3.33 Evaluating the results of these pilots will be critical. We must learn from the best experience of these sorts of activities, here and overseas, both in the design of the pilots and in the analysis of their findings.

Transforming delivery through a new Agency for people of working age

3.34 The "employment first" principle, introducing a more consistent, work-focused approach in every part of the country, will be delivered through the new Working Age Agency. **The new Agency, bringing together the Employment Service and parts of the Benefits Agency, will be established in the autumn with a network of 50 pathfinder offices delivering a single point of access to the benefit system for those of working age.**

3.35 We will also start to roll out, across the existing Jobcentre and Benefits Agency office network, a new regime of more opportunities, in return for greater responsibilities. Eventually everyone of working age on benefit will have regular face-to-face interviews with a Personal Adviser to discuss the possibility of work, with access to whatever help they need to help them obtain and keep in work.

3.36 Advanced technology will transform the nature of the service the Agency will be able to offer. We are already modernising the former Employment Service computer systems and preparing to modernise the Benefits Agency system. This will give Personal Advisers the tools they need to provide instant and accurate advice on benefit entitlement, both in and out of work, as well as to explain the difference being in work will make to income.

3.37 The new **Homes Direct** initiative will also help people to find jobs across the country by identifying available housing as well as job vacancies. This will build on current initiatives to promote choice in housing and employment. In addition, the Government will consider options for providing internet-based access to information on housing availability, including a new national database in every Jobcentre.

3.38 There will also be 24-hour access to internet-based job vacancies across the country – and abroad – through Job Points and the Work Bank, together with learning and training opportunities available to support a return to work and re-skilling for those who want it. This issue of helping people to develop and improve their skills is dealt with in more detail in the next chapter.

Conclusion

3.39 This chapter has set out the Government's Welfare to Work strategy. It is based on work for those who can and security for those who cannot. It has reduced unemployment to its lowest for a generation. The forward agenda is centred around:

- the new employment principle at the Working Age Agency, which will focus on getting **all** people on working age benefits to consider, move into and progress in work;

- an enhanced and permanent New Deal both for unemployed people and for those who are currently economically inactive such as lone parents and people claiming disability benefits. It will offer people more help but in turn require greater responsibility; and

- a clearer focus on hardest to help groups, for example, Action Teams and transitional employment, which will reduce disparities in employment rates between these groups and the population as a whole.

3.40 The next chapter shows how this enhanced Welfare to Work programme will be completed by a new focus on the skills needed in today's labour market.

This chapter sets out why our future economic success depends on investing in education and training. It explains how the Government is raising skills to help improve productivity and tackle skills shortages, along with introducing a crusade to improve adult basic skills in literacy and numeracy. It goes on to highlight how we will introduce a new employer focus will be introduced at the centre of the strategy for improving skills and the New Deal.

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Chapter four:

Raising skills and engaging employers

4

4.1 We already have the most flexible labour market in Europe. There is greater variation in terms of working patterns in the UK with, for example, a quarter of the workforce working part-time and only 10 per cent working the stereotypical 40-hour week. But the nature of work is changing and will continue to change. For example, few would have predicted the rapid growth in mobile phone development and usage and few can predict accurately where and when the spread of information and communications technology (ICT) will lead to further structural change.

4.2 We must harness this dynamism and diversity. If the challenge of the last few years was to get unemployed people into work, the challenge of the next few years is not only to tackle inactivity but also to enable people to move from one job to a better job which in turn leads to a career. That means equipping people with the capacity to adapt to change, to become employable for the long not the short term. It also means helping to provide businesses with the skills to adopt new technologies and move into higher value-added products and services.

4.3 The Government's labour market policies and skills agenda are designed to work together to deliver high levels of sustainable, productive employment. A modern, knowledge-driven economy depends on an active Government working with people and business to make the best use of skills, creativity and imagination of all our people, all of the time.

4.4 The starting point is that everyone must have core literacy and numeracy skills. It is estimated that industry loses £4.8 billion every year because of poor literacy and numeracy, and that around 19 per cent of men with low numeracy skills are unemployed or claiming sickness or disability benefits compared to 3 per cent of those with good numeracy skills. People also need a broader base of skills to be able to cope with change and to provide a foundation for further learning. Acquiring skills and building upon them through lifelong learning is what enables people to adapt to changes in the labour market. It may enable people without work, or in low paid short-term jobs, to break the "low pay no pay" cycle, and move into secure and rewarding employment. The Government's role is to support people through the transitions that they make in a dynamic labour market, to achieve the best match between individuals and employers.

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4.5 At degree level and above, the skills of the UK labour force match those anywhere in the world and we are making major advances in the educational standards achieved by school and college leavers. But the proportion of the workforce trained to intermediate level is half that of Germany; we have 50 per cent fewer people qualified to NVQ Level 2 or equivalent than either France or Germany; and there are shortages of some key technical skills. Most importantly, there are about 7 million adults in Britain who cannot read or write to the level we expect of an 11-year-old – making their everyday life a struggle and reducing our productivity and competitiveness as a nation.

4.6 In developing the strategy for skills to raise employability and productivity the Government has three key goals:

- to ensure that young people have the skills and rounded education to progress in employment and that adults can acquire the skills needed to get, keep and progress in decent jobs;
- to provide the world-class technical and higher level skills which are needed by employers to improve business performance and raise productivity and a system in which people are able to reskill and upskill as jobs change; and
- to engage closely with employers and the labour market more widely so that the skills people acquire are those which are needed in the labour market as well as for their personal development.

4.7 The new Learning and Skills Council, working with the Working Age Agency and other bodies, will have a key role in securing these goals. The Council will bring together the funding and planning of publicly funded post-16 learning outside higher education, with the exception of the learning provided through the Employment Service. The strong business representation on the Council (including the local councils) gives us an unprecedented opportunity to ensure that education and training meets the needs of employers and the labour market.

Skills for employability

4.8 We will ensure that all young people receive an education that prepares them for future employment and further learning.

4.9 The national literacy and numeracy strategy we introduced in 1997 has been very successful in raising standards in primary schools. We are now putting in place a new strategy to build on this success and raise standards in the early years of secondary education, as set out in our Green Paper on Schools *Building on success*. This will include new measures to develop young people's abilities to reason and to think critically, as well as improving their competence and skills in English, maths, science – abilities and skills that are much in demand in the labour market and which underpin the extent to which we can compete as a nation. The close involvement of business through education business links will provide pupils with a range of experiences of the world of work and help foster innovation and a sense of enterprise.

4.10 Young people will be able to develop these skills further through work-related options between ages 14 and 16, broader A level studies, and a key skills qualification in communication, number and IT. From 2002 young people aged 14 to 16 will be able to take vocational GCSEs alongside the National Curriculum. Pupils will be able to choose between remaining at school, learning at their local further education or Sixth Form college or undertaking a Modern Apprenticeship, so they can benefit from specialist vocational teaching expertise and quality equipment.

4.11 Some young people need extra support in the transition from adolescence to adulthood. The Connexions Service – working closely with schools, the new Learning and Skills Council (LSC) and local authorities – will make explicit the link between what they are doing at school and the options open to them for further education and in the labour market; it will provide the support they need to achieve their goals. Connexions Service Personal Advisers will work with employers to ensure that young people in employment who need to do so are advised on how they can improve their literacy and numeracy skills.

Improving basic skills

4.12 We are committed to a crusade to raise basic skills. We cannot improve the skills level in the workforce without tackling the needs of those adults with poor literacy and numeracy skills. On 1 March 2001, we set out in *Skills for Life* our adult literacy and numeracy skills strategy to address this problem. **We will improve the literacy and numeracy skills levels of 750,000 adults by 2004, with the longer-term aim of matching the literacy and numeracy skills levels of our best international competitors.** There will be more funding for numeracy and literacy teaching, a new core curriculum, new national standards and tests, and better training for teachers.

4.13 Up to 40 per cent of working age people on benefits have literacy and numeracy problems. It is essential both for them and for the economy that they are encouraged and enabled to improve their skills.

4.14 **From April 2001 we will therefore be screening all those on the New Deal for Young People for basic skills needs as well as those over 25 reaching six months' unemployment at their Restart interview. We will also be screening all lone parents who attend an interview with a Personal Adviser and those on New Deal for Disabled People will be screened from July 2001.**

4.15 **We will operate pilots in six districts to explore the most effective means of identifying and engaging potential learners, including through the use of financial incentives.** In two areas we will examine whether a requirement to acquire literacy and numeracy skills, with the risk of losing benefit for those who fail to address their needs and with the prospect of rewards for those who do, has an impact on the skills levels of unemployed people.

4.16 We know from surveys that employers think that generic, "soft" skills such as communication and teamworking are particularly important for people to be effective in their jobs and for business performance. Yet these are just the skills which people who have not recently worked may lack. That is why the Government has built these soft skills into the New Deal for Young People. **From April 2001, participants in the New Deal 25 plus will be able to receive similar intensive help.**

4.17 The use of ICT is a major contributor to improved business performance and productivity. ICT skills are increasingly demanded by employers – it is expected that by 2006, 90 per cent of new jobs will require at least a basic level of competence in ICT. We will press ahead with action to bridge the digital divide by establishing 6,000 UK online centres by 2002 to help people in disadvantaged urban and rural areas develop ICT and other skills. **In the summer we will begin phase 2 of our Wired Up Communities initiative to make ICT available to people in our most deprived areas, as part of our strategy to provide access to ICT and the internet by 2005 to all who want it.**

Providing technical and higher level skills

4.18 As we set out in the White Paper *Opportunity for All*, our aim is to build a world class system of technical and vocational education that will help provide the economy with the skills it needs to improve productivity levels. The new vocational GCSEs and A levels will provide a good foundation. That, together with a continued expansion in the numbers of people with skills at degree level and above, will provide business with the talent it needs to produce goods and services to compete with anyone in the world.

4.19 We are reforming and strengthening Modern Apprenticeships, with a renewed emphasis on the taught element of underpinning knowledge and understanding needed for the job. Where a young person has the ability, aptitude and enthusiasm for work-based learning, they will have an entitlement to a Modern Apprenticeship. Those who have not met the criteria will undertake pre-apprenticeship programmes called the learning gateway. **Over £1 billion has now been allocated to ensuring the number of Modern Apprenticeships is increased from 75,000 in 1997 to 320,000 in 2004.**

4.20 If we are to produce technical and higher level skills that are genuinely world class, our further education colleges need to be at the forefront of skill development in a wide range of sectors. We are investing £100 million to enable colleges to become Centres of Vocational Excellence and develop specialisms and a reputation for technical excellence that will enable them to do this. Colleges will work with employers, universities and **learndirect** to ensure that learning is based on advanced technologies and is at the leading edge of innovation. **Fifty per cent of further education colleges will be recognised as Centres of Vocational Excellence by 2004.**

4.21 ICT and other leading edge technology skills will hold the key to high levels of business performance and productivity growth in the future. We will

expand specialist ICT and other high technology learning programmes in the further and higher education system. **By 2004/05 we will be training up to an additional 10,000 students a year on full- or part-time courses to learn or update ICT or other high technology skills**. We will establish new technology institutes – up to two in every region – based on partnerships between universities, colleges and local business to provide quality learning opportunities in ICT and high technology subjects.

4.22 Higher education also has a vital role to play in providing the increases in technical and higher level skills needed in the workforce. Our aim is that **by 2010, 50 per cent of people between the ages of 18 and 30 will have the opportunity to enter higher education**. Those participating in higher learning will develop a mix of specialist knowledge, wider employability skills and academic underpinning that is increasingly sought in the labour market. Foundation degrees and graduate apprenticeships aim to develop this type of learning. They are being developed in many leading edge skill areas vital to the further development of the knowledge economy.

Providing opportunities for upgrading and reskilling

4.23 While it is vital that everyone develops a basic platform of education and skills if they are to remain employable throughout life, this will not be enough in itself. The speed of economic change demands that everyone continues to develop and upgrade their skills through life – to enable people to make transitions from job to job, from worklessness into work and to ensure that the labour market has access to the skills needed to deliver economic growth. The responsibility for achieving this is shared between individuals, employers and the Government.

4.24 The new Learning and Skills Council (LSC) will have a leading role in ensuring that there are opportunities locally for adults to return to education and training to upgrade or acquire new skills. **The LSC will continue the extra funding that colleges receive to widen participation by socially disadvantaged adults and to drive up standards of provision for adults**. We have also increased the funding available for adult and community learning: for many of the most disadvantaged this is a vital first step back into learning.

4.25 The drive to increase skill levels through widening participation in learning by adults has been supported by the introduction of Individual Learning Accounts and the successful launch of **learndirect**. These offer cost-effective and accessible opportunities to enable individuals to develop marketable skills, from basic literacy and numeracy to higher level ICT skills and the know-how to run a business. But we recognise that finance is an issue for potential learners. **We plan to provide adult students with a comprehensive system of financial support which meets their varying needs. We intend to bring forward new approaches which will increase the number of funding options for these students and deliver a fairer system of student support which is responsive, simple to understand and accessible.**

4.26 Employers themselves have a responsibility to make a substantial contribution to developing the skills of the workforce by training their employees. Our aim is to help employers drive up the skills of the workforce to match the best of our competitors, and to get the best people with the relevant skills into the right jobs, so that businesses can expand into new markets and improve their productivity.

4.27 The Government, for its part, is willing to consider what else it can contribute to extending opportunity for all in work, particularly to obtain a qualification up to NVQ Level 2. The Government is willing to consider a new tax credit for such training, possibly based on the model of payable research and development tax credits. Other approaches will also be considered.

4.28 In *Opportunity for All* we set out a much stronger framework for encouraging employers to invest in training and development. The workforce development strategy which will be developed by the LSC will set out clear auditable targets for training.

4.29 We recognise that it is more difficult for small- and medium-sized enterprises (SMEs) to fund and arrange training for their staff. So we will help them to spread the costs of training by supporting shared training arrangements and facilities, such as those provided by Group Training Associations. As previously announced, **an extra £8 million will be spent to support these associations to provide Modern Apprenticeships in 2002/03 and 2003/04**. The LSC will also work with the Small Business Service and **learndirect** to establish effective shared training networks nationwide. Small firms are a key target area for **learndirect**, which is developing a comprehensive strategy to address their needs.

4.30 Trade Unions have a crucial role to play, working with employers, to ensure that their members are able to acquire the skills they need to improve their employability and earning prospects. Union learning representatives, trained through a partnership between the TUC and the Government, have been very effective in encouraging people who may not have had much education or training since they left school to take up learning again. We are committed to ensuring that these representatives can play their full part in the development of skills contributing to the competitiveness of the enterprise as well as the development of the people in it. We therefore intend to give them statutory backing and we will soon open detailed consultation on how best to do this.

Engaging with employers and the labour market

4.31 The New Deal and other employment programmes are not job creation schemes. People must be able to compete successfully for the jobs that employers have. For employers as well, access to skilled and flexible employees is vital to building competitiveness. We are convinced that the effective engagement of employers in the education and training system is vital if people are to develop the skills they need to progress in work and for skills shortages to be avoided. Employer engagement is crucial for the success of New Deal. Involving employers in the development of New Deal

and understanding better the requirements of employers in particular industries are key ways to break down the barriers that prevent people moving quickly into new jobs.

4.32 We have already done a great deal to engage more effectively with employers. Employers have been given the key role in the LSC at national and local levels. The drive to encourage further education colleges to work in partnership with local employers has been given added impetus through the Centres of Vocational Excellence initiative. New Deal has harnessed the expertise and enthusiasm of employers throughout the country. A sustained campaign to attract business support has resulted in over 80,000 firms signing up to New Deal.

4.33 There are two ways in which the Government will be strengthening the links with employers and the labour market which are of particular importance for our employment and productivity objectives. The first is bringing back the focus on the needs of particular sectors of industry which has been absent for too long. The second is improving the intelligence which we have on skills needs, nationally, regionally and locally.

Working with industry

4.34 A demand-led approach within different industry sectors is effective because it engages employers in the design of training and work experience and uses their hiring requirements as a basic standard of job readiness. It is based on the premise that the better a programme meets employer needs, the better it will be at helping unemployed people to meet those needs and to succeed in the workplace.

4.35 The reformed and strengthened employer-led network of National Training Organisations (NTOs) – in which we are investing £45 million – will ensure a renewed focus on the skills needs of particular sectors of industry. Each NTO will work to identify the skills needs of its sector, develop national occupational standards, and work with the Learning and Skills Council to design and implement specific initiatives to improve skills levels. The Working Age Agency will work closely with relevant NTOs to ensure that training is tailored to the distinct needs of each sector.

4.36 The New Deal has begun to adopt a demand-led strategy in some industries and occupations. We intend to expand this approach throughout the workforce development system. **The Working Age Agency, in collaboration with the New Deal Task Force and the Employer Coalitions, will develop gateways customised to individual needs and employer-approved training to reflect local demand.** This will include training in such high growth sectors as construction, retail, hospitality, transport, call centres, health and carer occupations. The Working Age Agency will work closely with the relevant NTOs to ensure that training is tailored to the distinct needs of each sector.

4.37 We will expect our education and training providers to consult with local firms so that their provision is attuned to dynamic labour market patterns. We will expect them to seek employer advice on the content and standards of basic skills, occupational training and work experience. And increasingly, we will look to employers for feedback on whether we are meeting their standards for quality, service, reliability and cost.

4.38 Early evidence also indicates that demand-led strategies are particularly effective in helping people to gain better paying jobs and in opening access to sectors, such as IT and financial services, that do not usually recruit unemployed or inactive people. **The New Deal Innovation Fund will be used to develop projects within industries and occupations which offer particularly good prospects or which have been previously inaccessible to New Deal participants. It will accelerate the use of sector or demand-led strategies by identifying promising practice and fostering peer learning and knowledge development networks.**

The New Deal Innovation Fund

What is the Innovation Fund?

- **It provides the venture capital for New Deal – about £20 million over the next three years.**
- **It is the test bed for new ideas and activities which will increase performance outcomes and extend knowledge of what works in helping people move from benefits into sustainable work.**
- **It offers the flexibility to try different approaches to solving problems as they arise.**

How does it work?

- **There is a series of bidding rounds where all sectors of the community are invited to tender for funds to put in place projects which will enhance the delivery and outcomes of New Deal, and therefore employment rates in their locality.**

What is the money being spent on?

- **The current round of projects focus on testing demand-led strategies within sectors and occupations that offer particularly good career prospects, or which have been previously unaccessible to New Deal participants, such as finance.**
- **The fund will accelerate the use of sector- or demand-led strategies by identifying promising practice and fostering peer-learning and knowledge development networks.**

Responding to employers' needs

4.39 Effective matching of people to jobs and workforce development requires good information. It must be based on a careful appraisal of the local skills

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base; an analysis of existing and projected demand by local employers; and an assessment of the capacity of local education and training providers. It should be backed by a sophisticated labour market intelligence system that uses technology to monitor international economic and industrial trends as well as forecasting emerging local economic trends, job opportunities and skills requirements.

4.40 We have put in place a framework that will provide this information and underpin an effective workforce development system. The LSC will publish an annual assessment of skills needs. This will draw on the comprehensive skills audits for each sector of industry prepared by the NTOs. **We will ask each Regional Development Agency to work with local partners (including local authorities, the Working Age Agency, the LSC, the Small Business Service, employers and government offices) to produce, within the framework of their Regional Economic Strategies, detailed Regional Employment Action Plans.** Each Action Plan will have these key objectives:

- to develop agreement on the way to achieve a healthy labour market, clarifying the roles and responsibility of regional partners;
- to outline plans for gathering, disseminating and acting upon regional labour market intelligence;
- to develop plans to cope with problems such as large scale redundancies and major skills shortages; the new Job Transition Service will have a key role to play here (see box below); and
- to develop a demand-led approach to local needs which supports the needs of local employers.

The Job Transition Service

The new Job Transition Service builds on the success of Rapid Response Units to provide a response to large-scale redundancy that is more intensive, flexible, tailored and geared to helping both those facing the impact of job loss and employers able to offer new jobs. Those affected by job losses in the community – both directly and indirectly – will have access to personal advice on finance, employment options and career development; assessment of their experience, interests and aptitudes; and access to tailored training focused on those skills in greatest demand within the local labour market. At the same time, new employers' recruitment and skills needs will be audited, and employers will be involved in developing and delivering the training needed to bridge the skills gap.

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Conclusion

4.41 Developing the skills of the labour force is an integral and key part of our wider policy to achieve high and sustainable levels of employment and raise our levels of productivity. We will drive forward measures to improve education and training provision so that the needs of the labour market and economy at large are met. But workforce investment and development is a shared responsibility: employers and individuals have key parts to play. It is in partnership with employers that we can best deliver the skills needed to ensure all individuals are employable and businesses are able to improve performance and raise productivity.

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Conclusion

For the first time in at least three decades, employment opportunities for all is now a realistic goal. This has been achieved because the Government has tackled the problems it inherited: economic instability; an inefficient labour market; low investment in education, training and skills; and a passive welfare state. Instead, we have cut the bills of social and economic failure and invested more in helping individuals participate in the ever-changing labour market. This is not only a better use of our resources; it means that everyone is given the opportunity to develop their talents to the full. Everyone benefits – not only individuals, but also the communities in which they live, the businesses in which they work and the society of which they are a part.

The principles which have guided the Government's efforts over the past four years have been simple and they will not change. We believe that economic growth and greater social justice are interdependent, rather than mutually exclusive. We believe it is in our collective interest – as taxpayers, employers, citizens – to ensure that no person and no place is excluded from the opportunities we are opening up. And we believe that education and skills are the key to our collective future; not simply as a means of individual self-advancement, but as the common currency of the economy.

And just as we look to individuals to take responsibility for their lives and to take up the choices available to them, so we believe that Government must offer the platform for that self-reliance, allowing people to realise their potential and supporting them through times of transition or insecurity.

Economic and social policy are combined in a national crusade for prosperity and social justice – with full employment being the key to the achievement of both. Indeed, the vision combines economic stability to create work, a tax and benefit reform to ensure that work pays, policies to open up opportunities to work for all who can, skills acquisition to enable people to take up work, and security and support for those who cannot work. We have thus established the framework for a transition from welfare to work and a new compact between Government and individuals.

This paper outlines the steps we intend to take, working with people, their employers and unions, with communities and training providers, to intensify our fight against poverty and harness the talents of all our people for continued economic growth. It is an agenda which builds on success, which charts the course for employment opportunities for all and which will build a better life for millions of people.

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